

# MONTHLY REVENUE REPORT

## December 2004

The revenue generated from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.65 billion in December, which was up a strong 5.9% from the year-ago level. This increase was widespread as all of the major taxes--with the exception of the sales and estate taxes-- topped their year-ago level. This increase in December was helped by the following three factors: 1) recent increases in the tobacco and casino taxes, 2) the State education property tax rate, which returned to six mills in 2004 after temporarily being lowered to five mills in 2003, and 3) ongoing monthly fluctuations in the timing of tax collections. Adjusting for the recent tax increases and using a three-month moving average to help smooth the monthly fluctuations, reveals that December tax collections were up 2.5%, which marks the strongest monthly gain, on an adjusted basis, since last spring. December also marks the second month in a row that tax collections have come in stronger than anticipated. So far in FY 2004-05, tax collections are running ahead of last year's collections by 12.0% (6.8% after adjusting for the recent tax increases).

Net income tax collections (gross collections less refunds) totaled \$621 million in December, representing an 8.9% increase from last year's level. Strong increases in income tax withholding, quarterly, and annual payments pushed gross income tax collections up 9.2% in December, despite the fact that the tax rate was 3.9% compared with 4.0% in December 2003. Some of this increase in gross collections was offset by a 19% increase in the amount of income tax refunds that were paid to taxpayers in December. On a fiscal year-to-date basis, net income tax collections are up 3.6%.

Sales tax collections totaled \$579 million in December, which was down 7.9% from the year-ago level. This decline followed a sharp increase of 23.7% in November. The drop in sales tax collections in December was due to continued weak collections from motor vehicle transactions and monthly fluctuations in sales tax collections. Sales tax collections from motor vehicle transactions fell 16.9% in December, from the year-ago level, which marked the ninth consecutive monthly decline. During these nine months, the average rate of decline was 18.3%. During the same period, sales tax collections from all other taxable retail sales were up 4.1%. Using a three-month moving average to smooth the monthly volatility in collections reveals that total sales tax receipts were up 1.2% in December. So far in FY 2004-05, sales tax revenue is up 5.6%.

Single business tax revenue totaled \$120 million in December, representing a 17.4% increase from last year's level. This followed a 23.1% increase in November, marking the first time in six years that single business tax collections have experienced back-to-back increases in November and December. Some of the increase in December can be attributed to smaller-than-usual refund payments to taxpayers. On a fiscal year-to-date basis, single business tax collections are up 20.6%.

The other major taxes that experienced an increase in collections in December include the use tax, up 11.3%; real estate transfer tax, up 14.9%; and oil and gas severance tax, up 44.4%. Tax increases helped boost tobacco tax revenue 48.2%, casino tax collections 50.7%, and State education property tax receipts 61.2%. Estate tax collections declined 35.8% in December due to the ongoing phased elimination of this tax.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for December 2004. Also presented are the revenue estimates for FY 2004-05, which were adopted at the January 2005 Consensus Revenue Estimating Conference.

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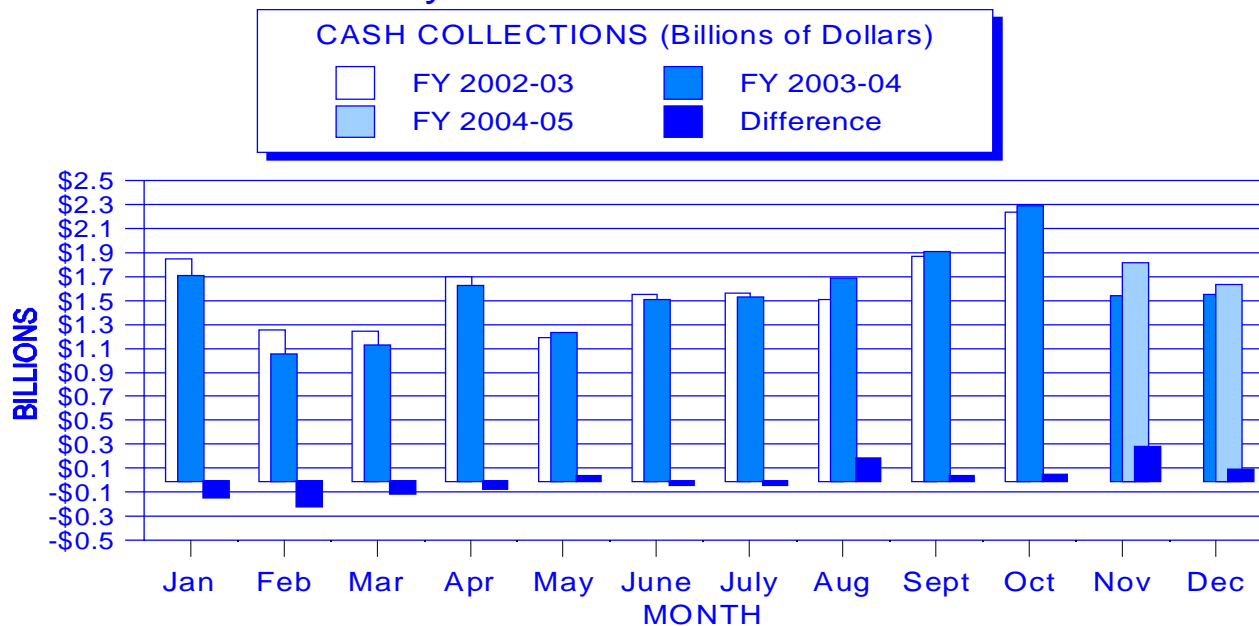
**MICHIGAN REVENUE UPDATE  
DECEMBER 2004  
(dollars in millions)**

Type of Revenue	December Collections		FY 2004-05 to Date <sup>2)</sup>		FY 2004-05 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2003-04
Gross Income Tax	\$642.5	9.2%	\$1,180.4	3.8%	\$7,538.1	1.0%
Refunds	(21.7)	19.2	(43.4)	8.2	(1,660.7)	4.2
Net Income Tax	\$620.8	8.9	\$1,137.0	3.6	\$5,877.4	0.4
Sales Tax	579.3	(7.9)	1,164.2	5.6	6,707.8	3.6
Motor Vehicles	56.6	(16.9)	114.7	(12.9)	----	----
All Other Sales Tax	522.7	(6.9)	1,049.5	8.1	----	----
Use Tax	124.5	11.3	237.8	16.5	1,369.3	4.0
Tobacco Taxes	95.9	48.2	191.5	35.9	1,189.2	19.8
Single Business Tax	120.2	17.4	278.0	20.6	1,855.7	1.5
Insurance Tax	1.9	58.3	26.6	(2.2)	239.3	3.9
State Education Property Tax	58.5	61.2	333.7	62.6	1,846.0	1.2
Real Estate Transfer Tax	22.4	14.9	54.4	(2.3)	310.0	(2.4)
Estate/Inheritance Tax	3.4	(35.8)	5.4	(47.6)	39.0	(48.3)
Casino Wagering Tax	11.3	50.7	22.9	50.7	147.0	47.1
Oil & Gas Severance Tax	6.5	44.4	10.0	1,566.7	55.0	(3.7)
<b>Total</b>	<b>\$1,644.7</b>	<b>5.9</b>	<b>\$3,461.5</b>	<b>12.0</b>	<b>\$19,635.7</b>	<b>2.9</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$201.9	25.0	\$536.0	18.0	\$2,050.2	3.9
Net to School Aid Fund <sup>4)</sup>	57.7	1.1	162.8	2.3	649.9	0.8

- 1) Total collections are unadjusted cash collections unless otherwise noted.  
2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.  
3) Consensus revenue estimates adopted at the January 13, 2005, Consensus Revenue Estimating Conference.  
4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include October 2004 to September 2005.

## Actual Revenue Collections for Major State Taxes\*

January 2003 to December 2004



\*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.